CREDA
Colorado River Energy Distributors Association

Arizona Municipal Power Users Association

Arizona Power Authority

Arizona Power Pooling Association

Irrigation and Electrical Districts Association

Navajo Tribal Utility Authority
(also New Mexico, Utah)

Salt River Project

COLORADO
Colorado Springs Utilities

Intermountain Rural Electric Association

Platte River Power Authority

Tri-State Generation & Transmission Association, Inc.
(also Nebraska, Wyoming, New Mexico)

Yampa Valley Electric Association, Inc.

NEVADA
Colorado River Commission of Nevada

Silver State Power Association

NEW MEXICO
Farmington Electric Utility System

Los Alamos County

City of Truth or Consequences

UTAH
City of Provo

City of St. George

South Utah Valley Electric Service District

Utah Associated Municipal Power Systems

Utah Municipal Power Agency

WYOMING
Wyoming Municipal Power Agency

Leslie James
Executive Director
CREDA
4625 S. Wendler Drive, Suite 111
Tempe, Arizona 85282

Phone: 602-748-1344
Fax: 602-748-1345
Cellular: 602-469-4046
Email: creda@qwest.net
Website: www.creda.org

April 2, 2009

Mr. Timothy J. Meeks
Administrator
Western Area Power Administration
Via email: txprogram@wapa.gov

RE: Notice of Proposed Program and Request for Public Comments (74 FRN No. 41, March 4, 2009) ("Notice")

Dear Mr. Meeks:

The Colorado River Energy Distributors Association (CREDA) appreciates the opportunity to provide input on the above referenced Notice seeking comment on the proposed Transmission Infrastructure Program (TIP). CREDA represents the majority of contractors of the resources of the Colorado River Storage Project (CRSP). CREDA members serve over four million customers in the States of Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. As indicated in our March 10, 2009 testimony to the Water and Power Subcommittee of the House Natural Resources Committee (attached), CREDA looks forward to working with Western as the agency undertakes the new responsibilities and authorities afforded it by Section 402 of the American Recovery and Reinvestment Act of 2009. While we will not reiterate the detailed testimony comments in our Notice input, please consider and incorporate them by reference.

CREDA members and other preference customers of Western have a unique and vested interest in the success of this program and in Western's ongoing delivery of renewable federal hydropower resources. We want to ensure that we have significant input at the outset of this program so that we are not arguing in rate cases over the allocation of costs or impacts to the existing system and customers. We request that Western develop a parallel process while it considers responses under the companion FRN ("Notice of Availability of Request for Interest"), which process could focus on further development and refinement, with affected customers, of the Sections IV-VI of the current Notice. CREDA is confident that effort will result in a program that fully meets the intent of the law and Western's promise of accountability and transparency.

CREDA offers the following comments and questions on provisions contained within the Notice. Specific references are to the above referenced Notice.

1) The Notice indicates it is an initial proposal (p. 9392). What are Western's plans regarding subsequent or additional public processes?
2) Recommend that wherever there is reference in policies or procedures to "operation and maintenance" the word "rehabilitation" be included.
3) Principle 5 (p. 9392) be revised to refer to the "delivery" of generation-related ancillary services. New projects should have the obligation to deliver ancillary services. The existing projects have their own burden and obligation to provide these services.
4) The Notice does not specifically refer to RA6120.2. Is it Western's intention to

establish new project rate setting consistent with this policy?

5) Section IV.B.3 requires that a new project "will not adversely impact system reliability or operations, or other statutory obligations" (P. 9393). CREDA recommends the policy be expanded to identify Western's coordination with existing regional planning processes, such as WECC/TEPPC3 phase planning processes, to enhance reliability.
6) Section IV.C.1 indicates Western will establish additional evaluation factors to evaluate proposed Projects are necessary. Since it is anticipated that new Projects may also include upgrades to existing Western projects, CREDA recommends these evaluation factors include specific cost and operational impacts analyses parameters that would be developed in coordination with the affected customers (see above).
7) Section IV.C.3 anticipates participation by other parties in potential new Projects. CREDA urges joint ownership and participation projects for environmental and operational efficiency. In order that there be a meaningful opportunity for such participation opportunities, CREDA questions why new Project information should be available only subject to a FOIA request. Potential participants need access to all relevant information in order to make appropriate business decisions regarding participation; existing customers need access to information to ensure appropriate cost accounting and allocation firewalls are in place; in the event a new Project is unable to be repaid from its revenue stream, the taxpayer is "on the hook" and thus Project information should be transparent.
8) Section V. establishes a priority for project development under section 402 of the Recovery Act. Recommend Western clarify that if an existing path is upgraded to relieve congestion that could help facilitate the integration of a future renewable project, the new authority can be utilized.
9) Section V.B.2 *appears* to be referring only to new Projects; however, if that is the case, then wouldn't ALL the available transfer capability be made available in a non-discriminatory manner consistent with FERC open access transmission rules? In other words, in a new Project that does not include an upgrade to an existing Western facility, there would be no capacity "surplus to Western's need". Please clarify.
10) CREDA suggests that as Western develops policies and practices associated with determining new Project selection, it should first consider projects that are already under development or have completed or are in the process of proceeding through the WECC planning process. These projects may prove to be a quicker path to "lining up jobs and projects".
11) Transparency is critical for Western's new program and financing authority. In light of the very open-ended FRN notice and its lack of any further detail, Western's response to the comments on its FRN should not be the end of the public process in developing and defining this new program, including specifics and authority. CREDA requests that Western continues the public process and provide an opportunity for additional discussion and dialogue with Western following the responses to the current Notice. This necessary additional communication between Western and it customers will result in a program that works for everyone and avoids ambiguity and misunderstanding.

CREDA looks forward to participating with Western as the policies, practices and procedures and the TIP are developed and implemented.

Sincerely,

/s/ Leslie James

Leslie James
Executive Director

LESLIE JAMES
EXECUTIVE DIRECTOR
COLORADO RIVER ENERGY DISTRIBUTORS ASSOCIATION (CREDA)

TESTIMONY
BEFORE THE WATER AND POWER SUBCOMMITTEE
OF THE COMMITTEE ON NATURAL RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES

HEARING ON FEDERAL POWER MARKETING ADMINISTRATION
BORROWING AUTHORITY: DEFINING SUCCESS

MARCH 10, 2009

Madam Chairwoman, members of the Subcommittee, I am Leslie James, Executive Director of the Colorado River Energy Distributors Association (CREDA). I am pleased to have been asked to talk with you today regarding the Western Area Power Administration's Borrowing Authority provisions contained in HR 1, the American Recovery and Reinvestment Act (ARRA).

CREDA is a non-profit organization representing consumer-owned electric systems that contract for the delivery of federal hydropower over the federal transmission system of the Western Area Power Administration (WAPA) from the Colorado River Storage Project (CRSP). CREDA members are all non-profit organizations, serving over four million electric consumers in the six western states of Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. CREDA members include political subdivisions, electric cooperatives, state agencies, municipalities and tribal utilities. CREDA members are members of the American Public Power Association (APPA), as well as the National Rural Electric Cooperative Association (NRECA). CREDA members (listing attached) purchase over 85 percent of the CRSP hydropower generation.

I. WESTERN AREA POWER ADMINISTRATION (WAPA) AND ITS CUSTOMERS

WAPA is one of the four federal Power Marketing Administrations (PMAs) and it markets at wholesale over 10,000 MW of federal hydropower generated by the Bureau of Reclamation and Army Corps of Engineers facilities in a 15-state region, utilizing 17,000 miles of transmission facilities. WAPA's wholesale customers in turn provide electricity to approximately 50 million end-use customers. In accordance with federal law, WAPA rates are set at the levels needed to recover the costs of the initial federal investment (plus interest) in the hydropower and transmission facilities. WAPA annually reviews its project rates to ensure full-cost recovery. *None of the costs are borne by taxpayers.* If a deficit is projected, rates are adjusted to eliminate any deficit. There are no profits involved in the sale of this power from WAPA to its customers, or in the sale of this power by the customers to their end-use customers. Power rates also help to cover the costs of other activities authorized by these multipurpose projects such as navigation, flood control, water supply, environmental programs, and recreation.

The federal resources were established under a multitude of authorizing legislative initiatives. WAPA markets the federal resources through 10 separate "projects", including but not limited to the CRSP, the Boulder Canyon Project, the Central Valley Project, the Parker-Davis Project, and the Pick-Sloan Missouri Basin Project. WAPA markets the federal hydropower resources in the following states: Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, North Dakota, Nebraska, New Mexico, Nevada, South Dakota, Texas, Utah and Wyoming.

II. KEY ISSUES

WAPA customer concerns with the provisions contained in Section 402 of the ARRA may be categorized into three general areas:

First, *accountability and transparency*. WAPA's customers have been ensuring repayment of the federal investment for over 50 years, by entering into long-term contracts to purchase the hydropower generation and transmission resources and by paying all of the federal investment in generation and transmission facilities (with interest), all power-related operation and maintenance costs, and associated environmental costs. Each project's resources are marketed in accordance with individual marketing plans and contracts; ratemaking, accounting and repayment obligations and timetables are also different for each project. For example, the repayment obligation in the CRSP includes repayment by power customers of over 95% of the cost of the irrigation features -- the costs that are determined to be beyond the irrigators' "ability to pay."

WAPA customers want to ensure that WAPA's original, core mission of delivering reliable, cost-based renewable hydropower resources remains intact. This new, congressionally authorized borrowing authority will stretch WAPA's human resources to the limit. It is important that WAPA and the preference customers work together to assure that resource conflicts are identified and mitigated. The customers have a long history of working with WAPA to ensure these critical energy resources provide benefits to millions of end-use customers. For example, since 1992, CREDA members, WAPA and the Bureau of Reclamation have participated in a joint review of agency work programs to better understand the agencies' critical needs, and provide funding support when needed. This process has afforded the customers the ability to understand, comment on, and provide input on programs, capital investments, and operational issues facing the agencies. The transparency and accountability that the joint review provides has been proven to be an important aspect of agency/customer relationships.

In addition, the customers, as U.S. taxpayers, strongly support transparency and accountability in the implementation of all aspects of the stimulus legislation, including the new WAPA borrowing authority program. The customers applaud the provisions in the WAPA provisions that require development of policies and procedures through a public process, to ensure the existing project rates are not increased through implementation of this program and that customers understand the criteria that will be applied to recruit, select and implement transmission projects.

A second issue that may prove to be quite a challenge for the customers and WAPA going forward is that of *cost allocation*. Due to the integrated nature of the U.S. bulk transmission system, there will be circumstances requiring upgrades to the existing transmission facilities in order to interconnect new transmission facilities necessary to transmit renewable resources. There should be clear pricing and cost allocation policies adopted early in the program to ensure that the customers, the renewable developers, and taxpayers know the costs and benefits associated with a particular project. For example, if the facilities required are necessary solely for the transmission of new renewable resources, all costs (including associated overheads, operation, maintenance and rehabilitation) should be borne by the new project. If, however, the underlying project requires upgrades and there is a clear and direct benefit to the core mission of delivering federal hydropower to existing customers, then some cost-sharing may be appropriate.

A third area could be generally categorized as *electric reliability.* This includes ensuring the current transmission system is not negatively impacted from a reliability or load-serving standpoint by implementation of the new borrowing authority. The federal transmission system was designed and constructed to transmit renewable federal hydropower resources from the powerplants to load centers. WAPA does not have "load growth" responsibilities (i.e., providing additional power as demand increases over time). As loads have grown since the construction of the federal system, the customers, who DO have load-serving responsibilities have either built additional transmission facilities or contracted for transmission service with local transmission provider(s) to provide reliable electric service to their end-use customers. Because the transmission system, by its nature, is an integrated system, it is imperative that new transmission projects provide for public/private partnerships and joint use opportunities to ensure that customers are able to meet load growth reliably. Without joint participation, new lines could be constructed with no provisions to serve the local customers, resulting in the need to build additional facilities. It is imperative that planning and participation in these new WAPA constructed facilities and systems be open to participation by others also in order to minimize the impact on the environment, costs to local consumers, and local siting impacts.

III. IMPLEMENTATION PROCESS

The key to WAPA's successfully implementing the new authority is its development of a process that identifies the issues, and then establishes the criteria that will be used so all parties – public power customers, renewable developers, and the taxpayers understand the benefits and costs associated with proposed projects. To that end there are two program areas that immediately come to mind and must be clearly defined:

- *Cost Allocation Criteria*: Presently NO criteria exist concerning how cost allocations will be determined between the existing federal system and the facilities that will be constructed under the new authority. WAPA must work closely with its customers to establish clear criteria on how the cost allocations will be treated. This will prevent significant problems and potential litigation as projects are constructed and repayment responsibilities established. In CREDA's case, not getting it right could mean unnecessary electricity cost increases to the over four million end-use customers my members serve.
- *Partnerships*: It is important that proposed projects under this authority include the opportunity for local, load-serving utilities to participate in the new facilities to serve local customer needs. The project proposal and selection process needs to be well defined so that local utilities will understand the time-lines and can evaluate the economics of participating as a partner with WAPA in the new facilities. This will also ensure that non-federal funding is used to leverage the federal investment, and to minimize the local siting, environmental, and cost impacts associated with the new facilities.

There will undoubtedly be other issues raised as WAPA's public process is conducted and it is important that adequate time be allocated to fully explore this complex topic.

IV. CONCLUSION

The new borrowing authority afforded WAPA creates an opportunity to ensure integration of renewable resources and the development of required infrastructure. WAPA customers have a long history of partnering with the agency and look forward to working with WAPA to make sure the critical role the federal system presently has is not compromised as WAPA meets the challenges it faces to succeed with this new authority.

COLORADO RIVER ENERGY DISTRIBUTORS ASSOCIATION (CREDA) MEMBERSHIP

ARIZONA

Arizona Municipal Power Users Association
Arizona Power Authority
Arizona Power Pooling Association
Irrigation and Electrical Districts Association of Arizona, Inc.
Navajo Tribal Utility Authority
(also New Mexico, Utah)
Salt River Project

COLORADO

Colorado Springs Utilities
Intermountain Rural Electric Association
Platte River Power Authority
Tri-State Generation & Transmission Cooperative
(also Nebraska, Wyoming and New Mexico)
Yampa Valley Electric Association, Inc.

NEVADA

Colorado River Commission of Nevada
Silver State Power Association

NEW MEXICO

Farmington Electric Utility System
Los Alamos County
City of Truth or Consequences

UTAH

City of Provo
City of St. George
South Utah Valley Electric Service District
Utah Associated Municipal Power Systems
Utah Municipal Power Agency

WYOMING

Wyoming Municipal Power Agency